



## Unemployment Insurance (UI) Advisory Committee September 17, 2010 Executive Summary

### UI Claims and Exhaustion

As of August 28, 2010, the Employment Security Department has paid over 443,000 Unemployment Insurance (UI) claimants in 2010. 328,000 have received regular UI benefits, paid from our state trust fund, and 208,000 have received Emergency Unemployment Compensation (EUC), paid for by the federal government. In addition, the federal government also paid for almost 40,000 claimants who were receiving Extended Benefits (EB).

Though the number of total claimants is still high, the number of first time claimants is dropping. December 2008 and 2009 were the two months with the highest number of initial claims during this recession. In December 2008, there were over 90,000 initial claims, and there were nearly 80,000 initial claims one year later. Initial claims in August of 2010 were 16 percent lower than they were in August 2009. However, continued claims have been rising for a year.

The UI program has contributed greatly to Washington's economy over the past two years. Washington claimants have received \$8 billion in benefits since July of 2008. Of that, \$4.6 billion came from the state UI trust fund, and \$3.4 billion came from the federal government as EUC, EB, and extra \$25 weekly benefit payments.

Congress authorized EUC in July 2008, and Washington triggered onto EB in February 2009. Congress has extended EUC multiple times. Including regular UI benefits, claimants have been eligible for up to 99 possible weeks of benefits.

### **Exhaustees**

Because of EUC and EB, very few people exhausted all of their UI entitlement during 2009. In November 2009, some claimants did run out of benefits, but the federal government extended the EUC program. Those additional weeks helped several thousand people into early 2010 who had otherwise exhausted their benefits. However, large numbers of people then began reaching the end of their benefits by the end of March.

As of the end of August 2010, close to 18,000 claimants have exhausted all of their benefits. In March 2010, there was a large jump, and almost 5,000 claimants exhausted. Roughly 2,000 claimants have exhausted each month between April and July 2010, but exhaustions jumped up to over 3,000 in August 2010.

Staff in our Employment and Career Development Division work with claimants and other job seekers in WorkSource offices. Staff work to get claimants back to work before they run out of benefits. WorkSource has a number of programs to assist claimants. In addition to guiding job seekers to jobs, our trained career counselors conduct initial assessments to determine job readiness and counsel claimants on training opportunities, when appropriate.

## State of the State

The Labor Market and Economic Analysis branch of the Washington State Employment Security Department continues to study the effects of the current recession on the state economy.

Non-farm, seasonally adjusted data indicate recent losses in May and June 2010 were primarily due to declining government jobs, which more than offset growth in the private sector. Nationally and in Washington, during the early part of the recession, construction and manufacturing industries shed jobs. More recently, non-farm payrolls declined by 14,500 jobs between July 2009 and July 2010. However, three industries had significant positive job growth over the year: education and health services; professional and business services; and retail trade.

Despite the recession, hiring continues, though at reduced levels. Washington's seasonally adjusted unemployment rate remained at 8.9 percent.

## Trust Fund Update

Each quarter, the UI Trust Fund model is reviewed and updated with current data and forecasts. The forecast updates are based on the Economic and Revenue Forecast Council's (ERFC) quarterly publication providing the state's revenue forecast. The most recent Trust Fund model was updated using the June 2010 assumptions. New quarterly assumptions from the ERFC have been issued. When the Trust Fund model is updated based on that data, it will be shared.

The reserve adequacy of the Trust Fund is commonly measured by calculating the number of months of benefits that could be paid out under severe recessionary conditions. At the end of August 2010, Washington State had 13.9 months of benefits available in the Trust Fund with a balance of over \$2.4 billion.

## Emergency Unemployment Compensation Update

There are three EUC deadlines for Washington to carry out federal law:

- **November 20, 2010** – Claimants must exhaust regular Unemployment Insurance (UI) in order to collect tier 1 of EUC. If they do not exhaust regular UI by that date, they are not eligible for any EUC.

- **November 27, 2010** – Claimants must exhaust their current tier of EUC to be eligible for the next tier. If they do not, they get to finish out the tier they are in but are not eligible for additional tiers of EUC.
- **April 30, 2011** – The federal government is cutting off all EUC payments, even if claimants are part way through a tier.

Claimants may think they are eligible for all 53 weeks of EUC benefits on top of 26 weeks for regular UI, but the federal government has never promised that everyone would get 99 weeks. This will obviously lead to confusion. However, the great majority of people who will receive less than 53 weeks of EUC still have up to 20 weeks of EB available. So, once they start to drop off of EUC, most of them will still have benefits available for a few months.

When EUC was implemented and then extended multiple times, the department knew people needed to get paid quickly. Working within the constraints of GUIDE, our antiquated computer system, in order to pay people quickly, we left some important programming work to be completed after the fact. In addition, this effort will correct a small subset of claimants who had their EUC entitlement calculated incorrectly. Any overpayments from incorrect calculations will also be administratively waived for this small group of claimants.

Programming efforts will be completed over Thanksgiving weekend, when it will cause the fewest disruptions to our regular services. Letters will go out at that time to give claimants more information about where they are in their claim.

Because of the urgency when we initially programmed the computer system for EUC, we have not been able to give claimants that precise tier information in the past. If they have not been keeping close track themselves, we expect there will be some confusion, fear and anger when the remaining amount of benefits doesn't match what they expected.

We know this will generate a lot of phone calls and have decided to set up a specialized unit to receive EUC phone calls so regular service in our TeleCenters is interrupted as little as possible.

### **Extended Benefits**

Under EB, the job search requirements are stricter. Claimants must accept any job offer that pays better than their weekly unemployment benefits (or minimum wage where they live, whichever is higher), and four job search contacts are required each week instead of three.

Funding for EB is usually a 50/50 split between the federal government and the state. But the federal government has paid 100 percent of EB since the American Recovery and Reinvestment Act of 2009 went into effect. Multiple extensions of EUC have also included 100 percent federal funding for EB. The federal government will pay 100 percent of EB for claimants who have established an EB claim by the week ending December 4, 2010. Final 100 percent federal funding will end with the week ending April 30, 2011. At that time,

Washington State will pay 50 percent of the cost, and the federal government will pay 50 percent, until Washington triggers off EB.

At this point, it is impossible to tell when Washington will trigger off EB. Our state has met requirements for both regular EB (13 weeks) and high EB (7 weeks). Washington will trigger off of each type of EB when the following requirements are met:

- **High EB --** Seasonally Adjusted Total Unemployment Rate (SATUR) falls below 8% over a three month period or the SATUR is below 110% in the same three month period for either or both of the preceding two years.
- **Regular EB --** One of the following is met:
  1. Insured Unemployment Rate (IUR) is less than 5% over a 13 week period or the IUR falls below 120% of the corresponding 13 week period in each of the preceding two years; and
  2. SATUR is less than 6.5% over a three month period or the SATUR is below 110% in the same three month period for either or both of the preceding two years.

### Training Benefits Implementation

The Training Benefits (TB) program has seen increased demand since the economic downturn. In 2008, the program received 2,320 applications. In 2009, the program received 5,312 applications. This 130% increase in applications created a backlog. In response, the Department launched the Training Benefits Improvements Project in 2009 to ensure applicants were receiving timely, quality service. As we have reported previously, the application backlog has been eliminated.

Though applications have increased tremendously, the dedicated TB funds are not being spent very quickly because of repeated extensions of EUC, which is paid before TB. An individual approved for TB may complete training while collecting EUC, before actually using TB funds. Unused TB funds are deobligated and dedicated back to the trust fund for use by other applicants.

### 2011 Legislation – UI Modernization

In order to receive the federal stimulus of \$98 million, next year, ESD will again pursue legislation to meet UI Modernization requirements. Part-time, TB, or Dependents' Allowance legislation must pass in 2011 for Washington to qualify for \$98 million in federal UI Modernization funds. The department has clear direction from the United States Department of Labor (USDOL) regarding the changes required for both the part-time law and TB changes to meet the minimum UI Modernization requirements.

Washington needs to comply with two of four statutory changes. The legislature made changes to the voluntary quit to follow law in 2009, which satisfied one of these statutory

changes. We must now change one of the following three programs to comply with UI Modernization and gain the funding:

- Part-Time
- Training Benefits
- Dependents' Allowance

The application to USDOL would need to be received no later than August 22, 2011, and USDOL has one month to approve it. The new law must take effect no later than 12 months from the date USDOL certifies our application (latest effective date on or before September 21, 2012, depending on when USDOL certifies).

### **Part-time**

USDOL has stated that our current statutory definition of a “part-time worker” is too restrictive and must be broadened to qualify Washington for the funding. Currently, if a part-time worker works more than 17 hours during even one week in his or her base year, he or she must search for full-time work in order to receive benefits. UI Modernization requires that part-time workers may seek part-time work. It does not require Washington to allow full-time employees to seek only part-time work.

Last session, several bills addressed the issue of “part-time” in different ways. None of these bills passed into law. All of them would have satisfied UI Modernization requirements.

### **Training Benefits**

At the end of last session, several parties expressed interest in altering the TB program to meet UI Modernization requirements. We have been working closely with USDOL to determine the exact changes that will need to be made to the program.

Required changes to the Training Benefits program include:

- TB must be paid after any federally funded programs (not before EB, as in current law);
- The total amount of TB available is reduced only by the total amount of regular benefits paid (not reduced by the amount of EB paid, as in current law);
- For dislocated workers, the TB program must also:
  - Eliminate the funding cap;
  - Remove the application and enrollment deadlines;
  - Remove the full-time training requirement;
  - Eliminate the requirement that an individual can only receive Training Benefits once every five years; and
  - Amend the dislocated worker definition to include individuals who quit a job in a declining occupation for good cause.

## Interim Legislative Planning

The department is also informing state legislators and stakeholders that if the social tax rate is adjusted in 2011, those changes must become law by the beginning of February 2011. Passage by this date is critical so the department can implement any changes in time to correctly calculate and communicate the new tax rate.

The department continues to talk to representatives of the business and labor communities during the interim about what legislation they would like to pursue in 2011.

## Committee Members Present

Bruce Beckett, Washington Restaurant Association, designated alternate  
Pam Crone, Legislative Consulting Services, alternate  
Rebecca Johnson, Washington State Labor Council  
Robyn Mellen, Unemployment Law Project, alternate, designated alternate  
Wendy Rader-Konofalski, Washington Education Association  
William Rudnick, TALX Corporation, alternate  
Terry Tilton, Building & Construction Trades Council, AFL-CIO, alternate  
Dale Tuvey, United Claims Management, alternate